

TOWNSHIP OF CORWITH
Otsego County, Michigan

FINANCIAL REPORT WITH
SUPPLEMENTARY INFORMATION

Year Ended March 31, 2008

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Township of Corwith	County Otsego
Fiscal Year End March 31, 2008	Opinion Date July 21, 2008	Date Audit Report Submitted to State July 24, 2008	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).


50
2

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>	N/A	
Certified Public Accountant (Firm Name) Campbell, Kusterer & Co., P.C.		Telephone Number 989-894-1040	
Street Address 512 N. Lincoln, Suite 100, P.O. Box 686		City Bay City	State MI
Zip 48707			
Authorizing CPA Signature 	Printed Name Mark J. Campbell	License Number 1101007803	

TOWNSHIP OF CORWITH
Otsego County, Michigan

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CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

July 21, 2008

To the Township Board
Township of Corwith
Otsego County, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of Township of Corwith, Otsego County, Michigan as of and for the year ended March 31, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Township of Corwith's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Township of Corwith, Otsego County, Michigan as of March 31, 2008, and the respective changes in financial position thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated July 21, 2008, on our consideration of the Township's internal control over financial reporting and on tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Governmental Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Township's basic financial statements. The other supporting information described in the accompanying table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Campbell, Kusterer & Co., P.C.
CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants

TOWNSHIP OF CORWITH
Otsego County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended March 31, 2008

The Management's Discussion and Analysis report of the Township of Corwith covers the Township's financial performance during the year ended March 31, 2008.

FINANCIAL HIGHLIGHTS

Our financial status remained stable over the last year. Net assets at March 31, 2008, totaled \$442,076.94 for governmental activities.

Overall revenues were \$325,171.99 from governmental activities. Governmental activities had a \$122,902.13 increase in net assets.

We did not incur any new debt.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts, management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Township and the notes to the financial statements.

The first two statements are entity-wide financial statements and provide both long and short-term information about our overall financial status. These statements present governmental activities.

The remaining statements are fund financial statements, which focus on individual parts of the Township in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

ENTITY-WIDE FINANCIAL STATEMENTS

The entity-wide statements report information about the Township as a whole using accounting methods used by private companies. The statement of net assets includes all of the Township's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

The two entity-wide statements report net assets and how they have changed. Net assets are the difference between the entity's assets and liabilities and this is one method to measure the entity's financial health or position.

Over time increases/decreases in the entity's net assets are an indicator of whether financial position is improving or deteriorating.

To assess overall health of the entity you may also have to consider additional factors such as tax base changes, facility conditions and personnel changes.

All of the activities of the Township are reported as governmental activities. This includes the General Fund and the Current Tax Collection Fund.

TOWNSHIP OF CORWITH
Otsego County, Michigan

CONDENSED FINANCIAL INFORMATION
For the year ended March 31, 2008

	<u>Total</u> Governmental Activities 2007	<u>Total</u> Governmental Activities 2008
Current Assets	150 437	167 389
Capital Assets	<u>195 843</u>	<u>297 992</u>
Total Assets	<u>346 280</u>	<u>465 381</u>
Current Liabilities	1 500	2 300
Non-current Liabilities	<u>25 607</u>	<u>21 004</u>
Total Liabilities	<u>27 107</u>	<u>23 304</u>
Net Assets:		
Invested in Capital		
Assets	170 238	276 987
Unrestricted	<u>148 937</u>	<u>165 090</u>
Total Net Assets	<u>319 175</u>	<u>442 077</u>

	<u>Total</u> Governmental Activities 2007	<u>Total</u> Governmental Activities 2008
Program Revenues:		
Fees and Charges for		
Services	46 088	45 497
Capital Grants and		
Contributions	23 300	96 783
General Revenues:		
Property Taxes	59 409	63 009
State Revenue Sharing	81 411	82 016
Interest	5 025	3 090
Miscellaneous	<u>35 414</u>	<u>34 777</u>
Total Revenues	<u>250 647</u>	<u>325 172</u>
Program Expenses:		
Legislative	36 264	37 799
General Government	101 087	115 531
Public Safety	1 375	1 758
Public Works	734 590	45 869
Interest on Long-Term Debt	<u>1 658</u>	<u>1 313</u>
Total Expenses	<u>874 974</u>	<u>202 270</u>
Increase (Decrease) in		
Net Assets	(624 327)	122 902
Net Assets, April 1	<u>943 502</u>	<u>319 175</u>
Net Assets, March 31	<u>319 175</u>	<u>442 077</u>

TOWNSHIP OF CORWITH
Otsego County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended March 31, 2008

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Township's funds, focusing on significant (major) funds not the Township as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Township Board also may create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditures of those resources.

The Township has the following types of funds:

Governmental funds: All of the Township's activities are included in the governmental category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the Township's entity-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them. The Township's governmental activities include the General Fund.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

Our cash position in the governmental activities remains strong.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

The General Fund pays for all of the Township's governmental services with total expenditures of \$309,019.73.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

The Township's governmental activities invested \$107,427.45 in capital assets.

The Township's governmental activities paid \$4,601.28 of principal on long-term debt.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

The future of state revenue sharing is very clouded and it represents a significant portion of our income.

CONTACTING THE TOWNSHIP'S MANAGEMENT

This financial report is designed to provide our taxpayers, creditors, investors and customers with a general overview of the Townships finances and to demonstrate the Township's accountability for the revenues it receives. If you have any questions concerning this report please contact the Township Clerk or Township Treasurer at 989-983-2865 or P.O. Box 100, Vanderbilt, Michigan 49795.

TOWNSHIP OF CORWITH
Otsego County, Michigan

GOVERNMENT-WIDE STATEMENT OF NET ASSETS
March 31, 2008

	<u>Governmental Activities</u>
ASSETS:	
CURRENT ASSETS:	
Cash in bank	158 194 00
Taxes receivable	<u>9 195 59</u>
Total Current Assets	<u>167 389 59</u>
NON-CURRENT ASSETS:	
Capital Assets	469 947 17
Less: Accumulated Depreciation	<u>(171 955 33)</u>
Total Non-current Assets	<u>297 991 84</u>
TOTAL ASSETS	<u>465 381 43</u>
LIABILITIES AND NET ASSETS:	
LIABILITIES:	
CURRENT LIABILITIES:	
Accounts payable	<u>2 300 00</u>
Total Current Liabilities	<u>2 300 00</u>
NON-CURRENT LIABILITIES:	
Contract payable	<u>21 004 49</u>
Total Non-current Liabilities	<u>21 004 49</u>
Total Liabilities	<u>23 304 49</u>
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	276 987 35
Unrestricted	<u>165 089 59</u>
Total Net Assets	<u>442 076 94</u>
TOTAL LIABILITIES AND NET ASSETS	<u>465 381 43</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF CORWITH
Otsego County, Michigan

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
Year ended March 31, 2008

		Program Revenue		Governmental Activities Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services	Capital Grants - Contributions	
FUNCTIONS/PROGRAMS				
Governmental Activities:				
Legislative	37 799 65	-	-	(37 799 65)
General government	115 530 67	45 496 64	-	(70 034 03)
Public safety	1 757 78	-	-	(1 757 78)
Public works	45 868 84	-	96 783 00	50 914 16
Interest on long-term debt	1 312 92	-	-	(1 312 92)
Total Governmental Activities	<u>202 269 86</u>	<u>45 496 64</u>	<u>96 783 00</u>	<u>(59 990 22)</u>
General Revenues:				
Property taxes				63 009 25
Other taxes				25 467 75
State revenue sharing				82 016 15
Interest				3 089 86
Miscellaneous				<u>9 309 34</u>
Total General Revenues				<u>182 892 35</u>
Change in net assets				<u>122 902 13</u>
Net assets, beginning of year				<u>319 174 81</u>
Net Assets, End of Year				<u>442 076 94</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF CORWITH
Otsego County, Michigan

BALANCE SHEET – GOVERNMENTAL FUNDS
March 31, 2008

	<u>Total (General)</u>
<u>Assets</u>	
Cash in bank	158 006 54
Taxes receivable	9 195 59
Due from other funds	<u>187 46</u>
Total Assets	<u><u>167 389 59</u></u>
<u>Liabilities and Fund Equity</u>	
Liabilities:	
Accounts payable	<u>2 300 00</u>
Total liabilities	<u>2 300 00</u>
Fund equity:	
Fund balances:	
Unreserved:	
Undesignated	<u>165 089 59</u>
Total fund equity	<u>165 089 59</u>
Total Liabilities and Fund Equity	<u><u>167 389 59</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF CORWITH
Otsego County, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
March 31, 2008

TOTAL FUND BALANCES – GOVERNMENTAL FUNDS 165 089 59

Amounts reported for governmental activities in the statement of
net assets are different because –

Capital assets used in governmental activities are not financial resources and
therefore are not reported in the governmental funds balance sheet:

Capital assets at cost	469 947 17
Accumulated depreciation	(171 955 33)

Long-term debt liabilities are not due and payable in the current period and
therefore are not reported in the governmental funds:

Contract payable	<u>(21 004 49)</u>
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TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES	<u><u>442 076 94</u></u>
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The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF CORWITH
Otsego County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
Year ended March 31, 2008

	<u>Total (General)</u>
Revenues:	
Property taxes	63 009 25
Other taxes	25 467 75
Federal grants	96 783 00
State revenue sharing	82 016 15
Charges for services – PTAF	23 291 84
Charges for services – other	22 204 80
Interest	3 089 86
Miscellaneous	<u>9 309 34</u>
Total revenues	<u>325 171 99</u>
Expenditures:	
Legislative:	
Township Board	37 799 65
General government:	
Supervisor	5 860 20
Elections	1 303 06
Assessor	17 757 09
Clerk	15 802 10
Board of Review	1 383 00
Treasurer	16 537 10
Building and grounds	32 487 20
Cemetery	19 722 06
Public safety:	
Planning Commission	1 757 78
Public works:	
Highways and streets	25 658 04
Street lighting	987 59
Sanitation	18 623 21
Capital outlay	107 427 45
Debt service	<u>5 914 20</u>
Total expenditures	<u>309 019 73</u>
Excess (deficiency) of revenues over expenditures	16 152 26
Fund balance, April 1	<u>148 937 33</u>
Fund Balance, March 31	<u><u>165 089 59</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF CORWITH
Otsego County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year ended March 31, 2008

NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS 16 152 26

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures; in the Statement of Activities,
these costs are allocated over their estimated useful lives as depreciation

Depreciation Expense	(5 278 86)
Capital Outlay	107 427 45

Repayment of debt principal is an expenditure in the governmental funds, the
repayment does not have an effect in the statement of activities but does
reduce the debt balance in the statement of net assets.

Principal payments on long-term debt	<u>4 601 28</u>
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CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>122 902 13</u></u>
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The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF CORWITH
Otsego County, Michigan
NOTES TO FINANCIAL STATEMENTS
March 31, 2008

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Township of Corwith, Otsego County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

The financial statements of the Township contain all the Township funds that are controlled by or dependent on the Township's executive or legislative branches.

The reporting entity is the Township of Corwith. The Township is governed by an elected Township Board. As required by generally accepted accounting principles, these financial statements present the Township as the primary government.

Government-Wide and Fund Financial Statements

The government-wide financial statements, (the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the Township's government-wide activities are considered governmental activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments and other items not properly included among program revenues are reported as general revenue.

Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

TOWNSHIP OF CORWITH
Otsego County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2008

Note 1 – Summary of Significant Accounting Policies (continued)

Governmental Funds

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Fiduciary Fund

The Current Tax Collection Fund is used to account for assets held as an agent for others.

Assets, Liabilities and Net Assets or Equity

Bank deposits and investments – Cash and cash equivalent investments include cash on hand, demand deposits, certificates of deposit and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables

Receivables have been recognized for all significant amounts due to the Township. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls. The 2007 tax roll millage rate was .9509 mills, and the taxable value was \$67,016,343.00.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

Capital Assets

Capital assets are defined by the Township as assets with an initial cost of more than \$5,000.00 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings, additions and improvements	50 years
Furniture and equipment	5-30 years

TOWNSHIP OF CORWITH
Otsego County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2008

Note 1 – Summary of Significant Accounting Policies (continued)

Compensated Absences (Vacation and Sick Leave)

Employees are not allowed to accumulate vacation and sick pay.

Post-employment Benefits

The Township provides no post-employment benefits to past employees.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Note 2 – Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Township Board.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

Note 3 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

TOWNSHIP OF CORWITH
Otsego County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2008

Note 3 – Deposits and Investments (continued)

The Township Board has designated one financial institution for the deposit of Township funds. The investment policy adopted by the Board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Township's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>159 315 03</u>
Amounts in the bank balances are without considering deposits in transit or uncleared checks.	
	<u>Bank Balances</u>
Insured (FDIC)	100 000 00
Uninsured and Uncollateralized	<u>72 144 44</u>
Total Deposits	<u>172 144 44</u>

The Township did not have any investments as of March 31, 2008.

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the Township manages its exposure to interest rate risk is by participating in financial institution pooled funds and in mutual funds which hold diverse investments that are authorized by law for direct investments.

Concentration of Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The financial institution pooled funds and the mutual funds do not have a rating provided by a nationally recognized statistical rating organization.

The investment policy of the Township contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by Michigan law.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Michigan law and the Township's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits.

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Michigan law and the Township's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investment, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools.

TOWNSHIP OF CORWITH
Otsego County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2008

Note 4 – Capital Assets

Capital asset activity of the Township's Governmental activities for the current year was as follows:

	Balance 4/1/07	Additions	Deletions	Balance 3/31/08
Governmental Activities:				
Land and improvements	87 960 90	107 427 45	-	195 388 35
Buildings	195 264 26	-	-	195 264 26
Equipment	79 294 56	-	-	79 294 56
Total	362 519 72	107 427 45	-	469 947 17
Accumulated Depreciation	(166 676 47)	(5 278 86)	-	(171 955 33)
Net Capital Assets	<u>195 843 25</u>	<u>102 148 59</u>	<u>-</u>	<u>297 991 84</u>

Note 5 – Pension Plan

The Township has a defined contribution pension plan covering all full time employees. The Township contributes an amount of each employee's annual salary to the plan. The net pension expense for the fiscal year ended March 31, 2008, was \$1,839.37.

Note 6 – Deferred Compensation Plan

The Township does not have a deferred compensation plan.

Note 7 – Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 8 – Building Permits

The Township of Corwith does not issue building permits. Building permits are issued by the County of Otsego.

Note 9 – Changes in Long-Term Debt

A summary of changes in long-term debt follows:

	Balance 4/1/07	Additions	Deductions	Balance 3/31/08
Contract payable	25 605 77	-	4 601 28	21 004 49
Total	<u>25 605 77</u>	<u>-</u>	<u>4 601 28</u>	<u>21 004 49</u>

Note 10 – Contract Payable

On September 26, 2001, the Township obtained a \$60,000.00 loan from First National Bank of Gaylord to fund an installment purchase contract for improvements to the Township hall. The Loan is repayable in one hundred and eighty monthly payments in the amount of \$492.85 including interest at the rate of 5.50% per annum. As of March 31, 2008, the principal balance outstanding on the loan was \$21,004.49.

TOWNSHIP OF CORWITH
Otsego County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
Year ended March 31, 2008

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Property taxes	60 500 00	60 500 00	63 009 25	2 509 25
Other taxes	25 581 00	25 581 00	25 467 75	(113 25)
Federal grants	206 900 00	206 900 00	96 783 00	(110 117 00)
State revenue sharing	79 875 00	79 875 00	82 016 15	2 141 15
Charges for services:				
Property tax administration	20 500 00	20 500 00	23 291 84	2 791 84
Other	6 855 00	6 855 00	22 204 80	15 349 80
Interest	2 500 00	2 500 00	3 089 86	589 86
Miscellaneous	56 000 00	56 000 00	9 309 34	(46 690 66)
Total revenues	458 711 00	458 711 00	325 171 99	(133 539 01)
Expenditures:				
Legislative:				
Township Board	58 310 00	58 310 00	37 799 65	(20 510 35)
General government:				
Supervisor	6 424 00	6 424 00	5 860 20	(563 80)
Elections	6 710 00	6 710 00	1 303 06	(5 406 94)
Assessor	18 120 00	18 120 00	17 757 09	(362 91)
Clerk	17 234 00	17 234 00	15 802 10	(1 431 90)
Board of Review	1 500 00	1 500 00	1 383 00	(117 00)
Treasurer	17 234 00	17 234 00	16 537 10	(696 90)
Building and grounds	106 380 00	106 380 00	32 487 20	(73 892 80)
Cemetery	22 411 00	22 411 00	19 722 06	(2 688 94)
Public safety:				
Planning Commission	6 530 00	6 530 00	1 757 78	(4 772 22)
Public works:				
Highways and streets	30 000 00	30 000 00	25 658 04	(4 341 96)
Street lighting	1 100 00	1 100 00	987 59	(112 41)
Sanitation	37 314 00	37 314 00	18 623 21	(18 690 79)
Capital outlay	266 680 00	266 680 00	107 427 45	(159 252 55)
Debt service	5 915 00	5 915 00	5 914 20	(80)
Total expenditures	601 862 00	601 862 00	309 019 73	(292 842 27)
Excess (deficiency) of revenues over expenditures	(143 151 00)	(143 151 00)	16 152 26	159 303 26
Fund balance, April 1	143 151 00	143 151 00	148 937 33	5 786 33
Fund Balance, March 31	-	-	165 089 59	165 089 59

TOWNSHIP OF CORWITH
Otsego County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year ended March 31, 2008

Township Board:	
Salaries and per diem	3 259 00
Benefits	1 839 37
Payroll taxes	5 584 48
Supplies	7 187 15
Insurance	4 603 00
Audit and legal	4 110 00
Telephone	1 774 94
Printing and publishing	1 354 20
Miscellaneous and dues	8 087 51
	<u>37 799 65</u>
Supervisor:	
Salary	5 274 00
Deputy	586 20
	<u>5 860 20</u>
Elections:	
Wages	743 80
Supplies	535 77
Miscellaneous	23 49
	<u>1 303 06</u>
Assessor:	
Wages	16 320 00
Mileage	359 94
Supplies	1 077 15
	<u>17 757 09</u>
Clerk:	
Salary	14 484 00
Deputy	1 318 10
	<u>15 802 10</u>
Board of Review:	
Wages	1 383 00
	<u>1 383 00</u>
Treasurer:	
Salary	14 484 00
Deputy	2 053 10
	<u>16 537 10</u>
Building and grounds:	
Salary	5 544 00
Supplies	7 348 41
Administrator	1 566 00
Telephone	381 88
Utilities	6 372 70
Repairs and maintenance	11 254 99
Miscellaneous	19 22
	<u>32 487 20</u>
Cemetery:	
Salary and wages	9 045 00
Supplies	661 64
Repairs and maintenance	8 310 17
Administrator	1 566 00
Miscellaneous	139 25
	<u>19 722 06</u>

TOWNSHIP OF CORWITH
Otsego County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year ended March 31, 2008

Planning Commission:	
Wages	1 110 00
Miscellaneous	647 78
	<u>1 757 78</u>
Highways and streets:	
Contracted services	25 658 04
	<u>25 658 04</u>
Street lighting:	
Utilities	987 59
	<u>987 59</u>
Sanitation:	
Wages	3 545 00
Supplies	108 49
Repairs and maintenance	14 960 50
Miscellaneous	9 22
	<u>18 623 21</u>
Capital outlay	<u>107 427 45</u>
Debt service	<u>5 914 20</u>
Total Expenditures	<u><u>309 019 73</u></u>

TOWNSHIP OF CORWITH
Otsego County, Michigan

CURRENT TAX COLLECTION FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
Year ended March 31, 2008

	<u>Balance</u> <u>4/1/07</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>3/31/08</u>
<u>Assets</u>				
Cash in Bank	<u>396 49</u>	<u>1 984 108 69</u>	<u>1 983 196 69</u>	<u>1 308 49</u>
<u>Liabilities</u>				
Due to other funds	21 13	78 229 61	78 063 28	187 46
Due to others	<u>375 36</u>	<u>1 905 879 08</u>	<u>1 905 133 41</u>	<u>1 121 03</u>
Total Liabilities	<u>396 49</u>	<u>1 984 108 69</u>	<u>1 983 196 69</u>	<u>1 308 49</u>

TOWNSHIP OF CORWITH
Otsego County, Michigan

CURRENT TAX COLLECTION FUND
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
Year ended March 31, 2008

Cash in bank – beginning of year	<u>396 49</u>
Cash receipts:	
Property tax	1 983 646 03
Interest	<u>462 66</u>
Total cash receipts	<u>1 984 108 69</u>
Total beginning balance and cash receipts	<u>1 984 505 18</u>
Cash disbursements:	
Township General Fund	78 063 28
Vanderbilt Corwith Fire and Rescue	135 903 11
Village of Vanderbilt	658 59
Otsego County	866 597 72
Vanderbilt Area School District	783 382 35
C.O.P. Intermediate School District	106 812 87
State of Michigan	750 64
Refunds	<u>11 028 13</u>
Total cash disbursements	<u>1 983 196 69</u>
Cash in Bank – End of Year	<u><u>1 308 49</u></u>

CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

July 21, 2008

To the Township Board
Township of Corwith
Otsego County, Michigan

We have audited the financial statements of the Township of Corwith, Otsego County, Michigan as of and for the year ended March 31, 2008, and have issued our report thereon dated July 21, 2008. We conducted our audit in accordance with generally accepted auditing standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As a part of obtaining reasonable assurance about whether Township of Corwith's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, non-compliance with which could have a direct and material effect of the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclose no instances of non-compliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Township of Corwith's internal control over financial reporting in order to determine our auditing procedures for the purposes of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted an inadequate control over cash transactions caused by an inherent lack of segregation of duties which is due to the limited number of office personnel employed involving the internal control over financial reporting and its operation that we consider to be a material weakness.

This report is intended for the information of management and other regulatory agencies. However, this report is a matter of public records and its distribution is not limited.

Campbell, Kusterer & Co., P.C.
CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants

CAMPBELL, KUSTERER & CO., P.C.

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AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

July 21, 2008

To the Township Board
Township of Corwith
Otsego County, Michigan

We have audited the financial statements of the Township of Corwith for the year ended March 31, 2008. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES

We conducted our audit of the financial statements of the Township of Corwith in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

To the Township Board
Township of Corwith
Otsego County, Michigan

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies are described in Note 1 to the financial statements.

OTHER COMMUNICATIONS

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY

Our procedures disclosed the following conditions that we would like to bring to your attention:

SEGREGATION OF DUTIES

The Township's system of internal control is affected by the size of the staff that it can employ.

The ultimate accounting system would include enough employees to completely segregate all aspects of each transaction. Different departments or individuals would handle: transaction authorization, transaction execution, asset handling, recording of transactions, review of transactions and subsequent control of assets.

The Township cannot enact a complete segregation of all aspects of each transaction due to the nature of local units of government. The "cost to benefit" relationship also would not justify a complete segregation of all duties.

We recommend that the Township Board Members understand these circumstances when performing their oversight responsibilities.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, dated March 31, 2008.

SUMMARY

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

Campbell, Kusterer & Co., P.C.
CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants